

Report on the

St. Clair County Board of Education

St. Clair County, Alabama

October 1, 2016 through September 30, 2017

Filed: September 28, 2018



Department of Examiners of Public Accounts

50 North Ripley Street, Room 3201

P.O. Box 302251

Montgomery, Alabama 36130-2251

Website: www.examiners.alabama.gov

Rachel Laurie Riddle, Chief Examiner



State of Alabama
Department of
Examiners of Public Accounts

P.O. Box 302251, Montgomery, AL 36130-2251
50 North Ripley Street, Room 3201
Montgomery, Alabama 36104-3833
Telephone (334) 242-9200
FAX (334) 242-1775

Rachel Laurie Riddle
Chief Examiner

Honorable Rachel Laurie Riddle
Chief Examiner of Public Accounts
Montgomery, Alabama 36130

Dear Madam:

Under the authority of the *Code of Alabama 1975*, Section 41-5A-19, as added by Act Number 2018-129, we submit this report on the results of the audit of the St. Clair County Board of Education, St. Clair County, Alabama, for the period October 1, 2016 through September 30, 2017.

Sworn to and subscribed before me this
the 13th day of September, 2018.

Debra Kean
Notary Public Exp. 12/12/18

Sworn to and subscribed before me this
the 20th day of September, 2018.

James Hall
Notary Public

fb

Respectfully submitted,

Adam F. Vann
Examiner of Public Accounts

Joseph White
Examiner of Public Accounts

Table of Contents

	<i>Page</i>
Summary	A
Contains items pertaining to federal, state and local legal compliance, Board operations and other matters.	
Independent Auditor's Report	B
Reports on whether the financial information constitutes a fair presentation of the financial position and results of financial operations in accordance with generally accepted accounting principles (GAAP).	
<u>Basic Financial Statements</u>	1
Provides the minimum combination of financial statements and notes to the financial statements that is required for the fair presentation of the Board's financial position and results of operations in accordance with GAAP.	
Exhibit #1 Statement of Net Position	2
Exhibit #2 Statement of Activities	3
Exhibit #3 Balance Sheet – Governmental Funds	5
Exhibit #4 Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	7
Exhibit #5 Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	8
Exhibit #6 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	10
Notes to the Financial Statements	12

Table of Contents

	<i>Page</i>
<u>Required Supplementary Information</u>	39
Provides information required by the Governmental Accounting Standards Board (GASB) to supplement the basic financial statements. This information has not been audited and no opinion is provided about the information.	
Exhibit #7 Schedule of the Employer’s Proportionate Share of the Net Pension Liability	40
Exhibit #8 Schedule of the Employer’s Contributions	41
Exhibit #9 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund	42
Exhibit #10 Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Fund	46
<u>Supplementary Information</u>	50
Contains financial information and notes relative to federal financial assistance.	
Exhibit #11 Schedule of Expenditures of Federal Awards	51
Notes to the Schedule of Expenditures of Federal Awards	53
<u>Additional Information</u>	54
Provides basic information related to the Board, including reports and items required by generally accepted government auditing standards and/or Title 2 U. S. <i>Code of Federal Regulations</i> Part 200, <i>Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards</i> (<i>Uniform Guidance</i>) for federal compliance audits.	
Exhibit #12 Board Members and Administrative Personnel – a listing of the Board members and administrative personnel.	55

Table of Contents

	<i>Page</i>
Exhibit #13 Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> – a report on internal controls related to the financial statements and on whether the Board complied with laws and regulations which could have a direct and material effect on the Board’s financial statements.	56
Exhibit #14 Report on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the <i>Uniform Guidance</i> – a report on internal controls over compliance with requirements of federal statutes, regulations, and the terms and conditions of federal awards applicable to major federal programs and an opinion on whether the Board complied with federal statutes, regulations, and the terms and conditions of its federal awards which could have a direct and material effect on each major program.	58
Exhibit #15 Schedule of Findings and Questioned Costs – a schedule summarizing the results of audit findings relating to the financial statements as required by <i>Government Auditing Standards</i> and findings and questioned costs for federal awards as required by the <i>Uniform Guidance</i> .	61



Department of
Examiners of Public Accounts

SUMMARY

**St. Clair County Board of Education
October 1, 2016 through September 30, 2017**

The St. Clair County Board of Education (the “Board”) is governed by a seven-member body elected by the citizens of St. Clair County. The members and administrative personnel in charge of governance of the Board are listed in Exhibit 12. The Board is the governmental agency that provides general administration and supervision for St. Clair County public schools, preschool through high school, with the exception of schools administered by the Pell City Board of Education.

This report presents the results of an audit the objectives of which were to determine whether the financial statements present fairly the financial position and results of financial operations and whether the Board complied with applicable laws and regulations, including those applicable to its major federal financial assistance programs. The audit was conducted in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States as well as the requirements of the Department of Examiners of Public Accounts under the authority of the *Code of Alabama 1975*, Section 41-5A-12, as added by Act Number 2018-129.

An unmodified opinion was issued on the financial statements, which means that the Board’s financial statements present fairly, in all material respects, its financial position and the results of its operations for the fiscal year ended September 30, 2017.

Tests performed during the audit did not disclose any significant instances of noncompliance with applicable state and local laws and regulations.

Board members and administrative personnel, as reflected on Exhibit 12, were invited to discuss the results of this report at an exit conference held at the Board’s offices. The following individuals attended the exit conference: Chief School Financial Officer: Laura Nance; representatives of the Department of Examiners of Public Accounts: Adam Vann, Examiner; and Joseph White, Examiner. We also discussed the results of the audit via phone conference with Superintendent: Jenny Seals.

This Page Intentionally Blank

Independent Auditor's Report

Independent Auditor's Report

Members of the St. Clair County Board of Education,
Superintendent and Chief School Financial Officer
Ashville, Alabama

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clair County Board of Education, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the St. Clair County Board of Education's basic financial statements as listed in the table of contents as Exhibits 1 through 6.

Management's Responsibility for the Financial Statements

The management of the St. Clair County Board of Education is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in **Government Auditing Standards**, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clair County Board of Education, as of September 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis (MD&A), the Schedule of the Employer's Proportionate Share of the Net Pension Liability, the Schedule of the Employer's Contributions, and the Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual (Exhibits 7 through 10) be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Management has omitted the Management's Discussion and Analysis (MD&A) that accounting principles generally accepted in the United States require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

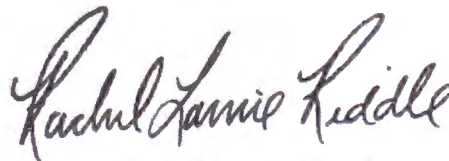
Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the St. Clair County Board of Education's basic financial statements. The accompanying Schedule of Expenditures of Federal Awards (Exhibit 11), as required by Title 2 U. S. *Code of Federal Regulations* Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***, is presented for the purposes of additional analysis and is not a required part of the basic financial statements.

The accompanying Schedule of Expenditures of Federal Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with ***Government Auditing Standards***, we have also issued our report dated September 7, 2018, on our consideration of the St. Clair County Board of Education's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the St. Clair County Board of Education's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with ***Government Auditing Standards*** in considering the St. Clair County Board of Education's internal control over financial reporting and compliance.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

September 7, 2018

Basic Financial Statements

This Page Intentionally Blank

Statement of Net Position
September 30, 2017

	Governmental Activities
<u>Assets</u>	
Cash and Cash Equivalents	\$ 9,849,556.09
Ad Valorem Property Taxes Receivable	7,137,825.00
Receivables (Note 4)	1,825,877.85
Inventories	244,628.30
Other Assets	37,873.79
Capital Assets (Note 5):	
Nondepreciable	4,957,526.70
Depreciable, Net	100,980,174.66
Total Assets	<u>125,033,462.39</u>
<u>Deferred Outflows of Resources</u>	
Loss on Refunding of Debt	1,300,886.73
Employer Pension Contribution	5,061,365.29
Proportionate Share of Collective Deferred Outflows Related to Net Pension Liability	7,232,000.00
Total Deferred Outflows of Resources	<u>13,594,252.02</u>
<u>Liabilities</u>	
Payables (Note 8)	795,902.38
Unearned Revenue	120,673.09
Salaries and Benefits Payable	5,959,922.72
Long-Term Liabilities:	
Portion Due or Payable Within One Year	2,633,517.34
Portion Due or Payable After One Year	111,989,544.48
Total Liabilities	<u>121,499,560.01</u>
<u>Deferred Inflows of Resources</u>	
Unavailable Revenue - Property Taxes	7,137,825.00
Proportionate Share of Collective Deferred Inflows Related to Net Pension Liability	1,782,000.00
Total Deferred Inflows of Resources	<u>8,919,825.00</u>
<u>Net Position</u>	
Net Investment in Capital Assets	63,282,098.74
Restricted for:	
Debt Service	949,224.46
Capital Projects	374,046.47
Other Purposes	852,687.67
Unrestricted	<u>(57,249,727.94)</u>
Total Net Position	<u>\$ 8,208,329.40</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Activities
For the Year Ended September 30, 2017

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<u>Governmental Activities</u>			
Instruction	\$ 47,241,342.50	\$ 1,256,922.76	\$ 37,379,547.58
Instructional Support	12,642,184.89	463,446.72	8,436,857.46
Operation and Maintenance	6,573,947.56	170,252.47	3,195,514.06
Auxiliary Services:			
Student Transportation	4,806,784.13	137,492.13	3,707,745.63
Food Service	6,983,165.51	6,059,724.96	329,824.39
General Administrative	3,293,031.67	6,901.23	1,601,459.52
Interest and Fiscal Charges	1,139,255.22		
Other Expenses	4,297,741.60	1,388,527.78	1,870,258.09
Total Governmental Activities	<u>\$ 86,977,453.08</u>	<u>\$ 9,483,268.05</u>	<u>\$ 56,521,206.73</u>

General Revenues:

Taxes:

- Property Taxes for General Purposes
- Property Taxes for Specific Purposes
- Sales Tax
- Alcohol Beverage Tax
- Other Taxes

Grants and Contributions Not Restricted
for Specific Programs

Investment Earnings

Miscellaneous

Total General Revenues

Changes in Net Position

Net Position - Beginning of Year

Net Position - End of Year

The accompanying Notes to the Financial Statements are an integral part of this statement.

		Net (Expenses) Revenues and Changes in Net Position	
Capital Grants and Contributions		Total Governmental Activities	
\$	1,443,935.54	\$	(7,160,936.62)
	843,332.46		(3,741,880.71)
	433,976.00		(2,364,848.57)
			(527,570.37)
			(593,616.16)
			(1,684,670.92)
			(1,139,255.22)
			(1,038,955.73)
<u>\$</u>	<u>2,721,244.00</u>		<u>(18,251,734.30)</u>

5,749,572.21
2,375,108.27
5,080,546.08
87,869.92
131,092.37
2,800.00
31,088.29
2,535,940.12
<u>15,994,017.26</u>
(2,257,717.04)
<u>10,466,046.44</u>
<u>\$ 8,208,329.40</u>

Balance Sheet
Governmental Funds
September 30, 2017

	General Fund	Special Revenue Fund
<u>Assets</u>		
Cash and Cash Equivalents	\$ 5,080,259.26	\$ 2,356,852.45
Ad Valorem Property Taxes Receivable	7,137,825.00	
Receivables (Note 4)	733,854.70	1,092,023.15
Interfund Receivables	93,666.85	
Inventories		244,628.30
Other Assets	37,873.79	
Total Assets	<u>13,083,479.60</u>	<u>3,693,503.90</u>
<u>Liabilities, Deferred Inflows of Resources and Fund Balances</u>		
<u>Liabilities</u>		
Payables (Note 8)	415,820.62	380,081.76
Interfund Payables		93,666.85
Unearned Revenue		120,673.09
Salaries and Benefits Payable	5,680,319.11	279,603.61
Total Liabilities	<u>6,096,139.73</u>	<u>874,025.31</u>
<u>Deferred Inflows of Resources</u>		
Unavailable Revenue - Property Taxes	7,137,825.00	
Total Deferred Inflows of Resources	<u>7,137,825.00</u>	
<u>Fund Balances</u>		
Nonspendable:		
Inventories		244,628.30
Prepaid	37,873.79	
Restricted for:		
Debt Service		
Child Nutrition		243,711.41
Capital Projects		
Other	364,347.96	
Assigned to:		
Local Schools		2,331,138.88
Unassigned	(552,706.88)	
Total Fund Balances	<u>(150,485.13)</u>	<u>2,819,478.59</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 13,083,479.60</u>	<u>\$ 3,693,503.90</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 2,412,444.38	\$ 9,849,556.09
	7,137,825.00
	1,825,877.85
	93,666.85
	244,628.30
	37,873.79
<u>2,412,444.38</u>	<u>19,189,427.88</u>
	795,902.38
	93,666.85
	120,673.09
	<u>5,959,922.72</u>
	<u>6,970,165.04</u>
	7,137,825.00
	<u>7,137,825.00</u>
	244,628.30
	37,873.79
949,224.46	949,224.46
	243,711.41
1,307,692.10	1,307,692.10
155,527.82	519,875.78
	2,331,138.88
	(552,706.88)
<u>2,412,444.38</u>	<u>5,081,437.84</u>
<u>\$ 2,412,444.38</u>	<u>\$ 19,189,427.88</u>

This Page Intentionally Blank

***Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
September 30, 2017***

Total Fund Balances - Governmental Funds (Exhibit 3)	\$ 5,081,437.84
Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:	
Capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds.	
The Cost of Capital Assets is	\$ 160,307,708.49
Accumulated Depreciation is	<u>(54,370,007.13)</u>
	105,937,701.36
Losses on refunding of debt are reported as deferred outflows of resources and are not available to pay for current-period expenditures and, therefore, are deferred on the Statement of Net Position.	1,300,886.73
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the governmental funds.	10,511,365.29
Long-term liabilities, including net pension obligations and bond/warrants payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds.	
Current Portion of Long-Term Debt	\$ 2,633,517.34
Noncurrent Portion of Long-Term Debt	<u>111,989,544.48</u>
	<u>(114,623,061.82)</u>
Total Net Position - Governmental Activities (Exhibit 1)	<u>\$ 8,208,329.40</u>

The accompanying Notes to the Financial Statements are an integral part of this statement.

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General Fund	Special Revenue Fund
<u>Revenues</u>		
State	\$ 52,024,963.91	\$
Federal	273,363.10	8,760,460.38
Local	12,500,783.25	5,685,756.63
Other	105,617.86	128,702.49
Total Revenues	64,904,728.12	14,574,919.50
<u>Expenditures</u>		
Current:		
Instruction	39,968,947.17	4,219,687.54
Instructional Support	10,396,762.97	1,335,598.49
Operation and Maintenance	5,335,556.76	255,249.17
Auxiliary Services:		
Student Transportation	4,120,539.33	86,787.63
Food Services		6,983,841.40
General Administrative	2,164,345.31	533,102.66
Other	2,416,931.12	1,678,587.87
Capital Outlay	106,727.98	132,674.00
Debt Service:		
Principal Retirement		8,013.62
Interest and Fiscal Charges		1,402.27
Total Expenditures	64,509,810.64	15,234,944.65
Excess (Deficiency) of Revenues Over Expenditures	394,917.48	(660,025.15)
<u>Other Financing Sources (Uses)</u>		
Indirect Cost	519,168.97	
Long-Term Debt Issued		
Premiums on Long-Term Debt Issued		
Transfers In	225,021.55	1,269,289.05
Other Financing Sources	131,330.42	38.54
Transfers Out	(1,269,289.05)	(225,021.55)
Payments to Refunding Escrow Agent		
Total Other Financing Sources (Uses)	(393,768.11)	1,044,306.04
Net Changes in Fund Balances	1,149.37	384,280.89
Fund Balances - Beginning of Year	(151,634.50)	2,435,197.70
Fund Balances - End of Year	\$ (150,485.13)	\$ 2,819,478.59

The accompanying Notes to the Financial Statements are an integral part of this statement.

Other Governmental Funds	Total Governmental Funds
\$ 2,721,244.00	\$ 54,746,207.91
	9,033,823.48
2,387,475.46	20,574,015.34
	234,320.35
<u>5,108,719.46</u>	<u>84,588,367.08</u>
	44,188,634.71
	11,732,361.46
836,165.29	6,426,971.22
	4,207,326.96
	6,983,841.40
104,841.28	2,802,289.25
	4,095,518.99
2,307,433.26	2,546,835.24
2,179,458.49	2,187,472.11
1,396,644.41	1,398,046.68
<u>6,824,542.73</u>	<u>86,569,298.02</u>
<u>(1,715,823.27)</u>	<u>(1,980,930.94)</u>
	519,168.97
5,060,000.00	5,060,000.00
290,561.40	290,561.40
	1,494,310.60
	131,368.96
	(1,494,310.60)
<u>(3,441,689.58)</u>	<u>(3,441,689.58)</u>
<u>1,908,871.82</u>	<u>2,559,409.75</u>
193,048.55	578,478.81
<u>2,219,395.83</u>	<u>4,502,959.03</u>
<u>\$ 2,412,444.38</u>	<u>\$ 5,081,437.84</u>

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Year Ended September 30, 2017

Net Changes in Fund Balances - Total Governmental Funds (Exhibit 5)		578,478.81
Amounts reported for governmental activities in the Statement of Activities (Exhibit 2) are different because:		
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation expense exceeds capital outlays in the period.		
Capital Outlays	\$ 2,546,835.24	
Depreciation Expense	<u>(2,986,726.61)</u>	(439,891.37)
Repayment of debt principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities.		2,187,472.11
Payments to refunding escrow agent are recorded as expenditures or other financing uses in the governmental funds, but reduce long-term liabilities in the Statement of Net Position and do not affect the Statement of Activities.		3,441,689.58
Proceeds from the issuance of debt are reported as financing sources in governmental funds and thus contribute to the change in fund balance. Issuing long-term debt increases liabilities in the Statement of Net Position but does not affect the Statement of Activities.		(5,060,000.00)
Premiums on debt issuance are reported as other financing sources in the governmental funds, but are amortized in the Statement of Activities.		(290,561.40)
In the Statement of Activities, only the gain or loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. The change in net position differs from the change in fund balances by this amount.		
Loss on Disposition of Capital Assets	<u>\$ (483,856.80)</u>	(483,856.80)

The accompanying Notes to the Financial Statements are an integral part of this statement.

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Compensated Absences, Current Year Increase/(Decrease) in Noncurrent Portion	\$ 13,055.74	
Amortization of Bond Discounts/Premiums/Gain or Loss on Refunding/Issuance Costs (Prepaid Insurance)	(258,791.46)	
Pension Expense, Current Year Increase/(Decrease)	<u>2,436,783.69</u>	<u>(2,191,047.97)</u>
Change in Net Position of Governmental Activities (Exhibit 2)		<u>\$ (2,257,717.04)</u>

Notes to the Financial Statements

For the Year Ended September 30, 2017

Note 1 – Summary of Significant Accounting Policies

The financial statements of the St. Clair County Board of Education (the “Board”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government’s accounting policies are described below.

A. Reporting Entity

The Board is governed by a separately elected board composed of seven members elected by the qualified electors of the County. The Board is responsible for the general administration and supervision of the public schools for the educational interests of the County (with the exception of cities having a city board of education).

Generally accepted accounting principles (GAAP) require that the financial reporting entity consist of the primary government and its component units. Accordingly, the accompanying financial statements present the Board (a primary government).

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. Based on the application of these criteria, there are no component units which should be included as part of the financial reporting entity of the Board.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the Board. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions.

Notes to the Financial Statements

For the Year Ended September 30, 2017

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the Board's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The Board does not allocate indirect expenses to the various functions. Program revenues include (a) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or program and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Board's funds, including fiduciary funds. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds in the Other Governmental Funds' column.

The Board reports the following major governmental funds:

- ◆ **General Fund** – The General Fund is the primary operating fund of the Board. It is used to account for all financial resources except those required to be accounted for in another fund. The Board primarily receives revenues from the Education Trust Fund (ETF) and local taxes. Amounts appropriated from the ETF were allocated to the school board on a formula basis.

- ◆ **Special Revenue Fund** – This fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. Various federal, state and local funding sources are included in this fund. Some of the significant federal funding sources include the federal funds that are received for Special Education, Title I, and the Child Nutrition Program in addition to various smaller grants, which are required to be spent for the purposes of the applicable federal grants. Also included in this fund are the public and non-public funds received by the local schools which are generally not considered restricted or committed.

Notes to the Financial Statements

For the Year Ended September 30, 2017

The Board reports the following fund types in the Other Governmental Funds' column:

Governmental Fund Types

- ◆ **Capital Projects Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlay, including the acquisition or construction of capital facilities and other capital assets.
- ◆ **Debt Service Fund** – This fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest and the accumulation of resources for principal and interest payments maturing in future years.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the Board gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Board considers revenues to be available if they are collected within sixty (60) days of the end of the current fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. General long-term debt issued and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the Board funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the Board's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general revenues.

Notes to the Financial Statements
For the Year Ended September 30, 2017

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Net Position/Fund Balances

1. Deposits

Cash and cash equivalents include cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

Statutes authorize the Board to invest in obligations of the U. S. Treasury, obligations of any state of the United States, general obligations of any Alabama county or city board of education secured by the pledged of the three-mill school tax and certificates of deposit.

2. Receivables

Sales tax receivables are based on the amounts collected within 60 days after year-end.

Millage rates for property taxes are levied at the first regular meeting of the County Commission in February of each year. Property is assessed for taxation as of October 1 of the preceding year based on the millage rates established by the County Commission. Property taxes are due and payable the following October 1 and are delinquent after December 31. Amounts receivable, net of estimated refunds and estimated uncollectible amounts, are recorded for the property taxes levied in the current year. However, since the amounts are not available to fund current year operations, the revenue is deferred and recognized in the subsequent fiscal year when the taxes are both due and collectible and available to fund operations.

Receivables due from other governments include amounts due from grantors for grants issued for specific programs and capital projects

3. Inventories

Inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of governmental funds are recorded as expenditures when consumed rather than when purchased.

4. Other Assets

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as other assets in both government-wide and fund financial statements.

Notes to the Financial Statements
For the Year Ended September 30, 2017

5. Restricted Assets

Certain funds received from the State Department of Education for capital projects and improvements, as well as certain resources set aside for repayment of debt, are considered restricted assets because they are maintained separately and their use is limited. The Public School Capital Projects, Fleet Renewal, Bond Issue Payments, Bonds and Warrants, and Qualified Zone Academy Bonds fund sources are used to report proceeds that are restricted for use in various construction projects and the purchase of school buses. The Debt Service Fund is used to report resources set aside to pay the principal and interest on debt as it become due.

6. Capital Assets

Capital assets, which include property and equipment are reported in the government-wide financial statements. Such assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated fixed assets are valued at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Major outlays of capital assets and improvements are capitalized as projects are constructed.

Depreciation on all assets is provided on the straight-line basis over the assets estimated useful life. Capitalization thresholds (the dollar values above which asset acquisitions are added to the capital asset accounts) and estimated useful lives of capital assets reported in the government-wide statements are as follows:

	Capitalization Threshold	Estimated Useful Life
Land Improvements	\$50,000	20 years
Building Improvements	\$50,000	5 – 50 years
Vehicles, Equipment and Furniture	\$ 5,000	5 – 20 years

7. Deferred Outflows of Resources

Deferred outflows of resources are reported in the Statement of Net Position. Deferred outflows of resources are defined as a consumption of net position by the government that is applicable to a future reporting period. Deferred outflows of resources increase net position, similar to assets.

Notes to the Financial Statements

For the Year Ended September 30, 2017

8. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position. Bond/Warrant premiums and discounts are deferred and amortized over the life of the debt. Bonds/Warrants payable are reported net of the applicable bond/warrant premium or discount. Bond/Warrant issuance costs are reported as an expense in the period incurred.

In the fund financial statements, governmental fund types recognize premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

9. Compensated Absences

The Board's vacation leave policy consists of the following: All personnel who are employed for twelve months are entitled to earn one day vacation leave per month. A maximum of 30 days-unused vacation leave days may be carried over to the next year.

10. Deferred Inflows of Resources

Deferred inflows of resources are reported in the government-wide and fund financial statements. Deferred inflows of resources are defined as an acquisition of net position/fund balances by the government that is applicable to a future reporting period. Deferred inflows of resources decrease net position/fund balances, similar to liabilities.

11. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, the Teachers' Retirement System of Alabama (the "Plan") financial statements are prepared using the economic resources measurement focus and accrual basis of accounting. Contributions are recognized as revenues when earned, pursuant to plan requirements. Benefits and refunds are recognized as revenues when due and payable in accordance with the terms of the Plan. Expenses are recognized when the corresponding liability is incurred, regardless of when the payment is made. Investments are reported at fair value. Financial statements are prepared in accordance with requirements of the Governmental Accounting Standards Board (GASB). Under these requirements, the Plan is considered a component unit of the State of Alabama and is included in the State's Comprehensive Annual Financial Report.

Notes to the Financial Statements

For the Year Ended September 30, 2017

12. Net Position/Fund Balances

Net position is reported on the government-wide financial statements and is required to be classified for accounting and reporting purposes into the following categories:

- ◆ **Net Investment in Capital Assets** – Capital assets minus accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets plus or minus any deferred outflows of resources and deferred inflows of resources that are attributable to those assets or related debt. Any significant unspent related debt proceeds and any deferred outflows or inflows at year-end related to capital assets are not included in this calculation.

- ◆ **Restricted** – Constraints imposed on net position by external creditors, grantors, contributors, laws or regulations of other governments, or law through constitutional provision or enabling legislation.

- ◆ **Unrestricted** – The net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted portion of net position. Assignments and commitments of unrestricted net position should not be reported on the face of the Statement of Net Position.

Fund balance is reported in the fund financial statements. A formal action or resolution by the Board is required to be taken to establish, modify or rescind a committed fund balance. The Board also has a policy to authorize amounts for a specific purpose as assigned fund balance. The Board considered restricted fund balance amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. Committed, assigned, or unassigned fund balances are considered to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Fund balance is reported in governmental funds in the fund financial statements under the following five categories:

- A. Nonspendable fund balances include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. Examples of nonspendable fund balance reserves for which fund balance shall not be available for financing general operating expenditures include: inventories, prepaid items, and long-term receivables.

- B. Restricted fund balances consist of amounts that are subject to externally enforceable legal restrictions imposed by creditors, grantors, contributors, or laws and regulations of other governments; or through constitutional provisions or enabling legislation.

Notes to the Financial Statements
For the Year Ended September 30, 2017

- C. Committed fund balances consist of amounts that are subject to a purpose constraint imposed by formal action or resolution of the Board, which is the highest level of decision-making authority, before the end of the fiscal year and that require the same level of formal action to remove or modify the constraint.
- D. Assigned fund balances consist of amounts that are intended to be used by the Board for specific purposes. The Board authorized the Superintendent or Chief School Finance Officer to make a determination of the assigned amounts of fund balance. Such assignments may not exceed the available (spendable, unrestricted, uncommitted) fund balance in any particular fund. Assigned fund balances require the same level of authority to remove the constraint.
- E. Unassigned fund balances include all spendable amounts not contained in the other classifications. This portion of the total fund balance in the General Fund is available to finance operating expenditures.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it shall be the policy of the Board to consider restricted amounts to have been reduced first. When an expenditure is incurred for the purposes for which amounts in any of the unrestricted fund balance classifications could be used, it shall be the policy of the Board that committed amounts would be reduced first, followed by assigned amounts and then unassigned amounts.

Minimum Fund Balance Policies – The St. Clair County Board of Education, in accordance with Alabama law, directs that a General Fund reserve fund balance be maintained of an amount not less than one month’s operating expenditures. Operating expenditures shall include all funds necessary to support normal operations of the school district for one month.

Note 2 – Stewardship, Compliance, and Accountability

Budgets

Budgets are adopted on a basis of accounting consistent with accounting principles generally accepted in the United States of America (GAAP) for the General Fund and the Special Revenue Fund with the exception of salaries and benefits, which are budgeted only to the extent expected to be paid rather than on the modified accrual basis of accounting. All other governmental funds adopt budgets on the modified accrual basis of accounting, with the exception of the Capital Projects Fund, which adopts project-length budgets. All appropriations lapse at fiscal year-end.

On or before October 1 of each year, each county board of education shall prepare and submit to the State Superintendent of Education the annual budget to be adopted by the County Board of Education. The Superintendent or County Board of Education shall not approve any budget for operations of the school for any fiscal year which shall show expenditures in excess of income estimated to be available plus any balances on hand.

Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 3 – Deposits

A. Deposits

The custodial credit risk for deposits is the risk that, in the event of a bank failure, the Board will not be able to cover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Board’s deposits at year-end were entirely covered by federal depository insurance or by the Security for Alabama Funds Enhancement Program (SAFE Program). The SAFE Program was established by the Alabama Legislature and is governed by the provisions contained in the *Code of Alabama 1975*, Sections 41-14A-1 through 41-14A-14. Under the SAFE Program all public funds are protected through a collateral pool administered by the Alabama State Treasurer’s Office. Under this program, financial institutions holding deposits of public funds must pledge securities as collateral against those deposits. In the event of failure of a financial institution, securities pledged by that financial institution would be liquidated by the State Treasurer to replace the public deposits not covered by the Federal Deposit Insurance Corporation (FDIC). If the securities pledged fail to produce adequate funds, every institution participating in the pool would share the liability for the remaining balance.

B. Cash with Fiscal Agents

The Board’s cash with fiscal agent is to be invested in accordance with applicable statutes and its investment policy.

As of September 30, 2017, the Board’s cash with fiscal agent, reported with cash and cash equivalents, was invested as follows:

Investment Type	Fair Value	Maturity	Rating
Fidelity Institutional Money Market Treasury Only – Class III	<u>\$514,259.43</u>	90 days or less	AAAm

Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 4 – Receivables

On September 30, 2017, receivables for the Board’s individual major funds and other governmental funds in the aggregate are as follows:

	General Fund	Special Revenue Fund	Total
Receivables:			
Accounts Receivable	\$ 3,345.68	\$	\$ 3,345.68
Intergovernmental	314,130.63	1,092,023.15	1,406,153.78
Sales Tax	416,378.39		416,378.39
Total Receivables	\$733,854.70	\$1,092,023.15	\$1,825,877.85

Note 5 – Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 10/01/2016	Additions/ Reclassifications (*)	Retirements/ Reclassifications (*)	Balance 09/30/2017
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 4,079,998.26	\$	\$	\$ 4,079,998.26
Land Improvements Inexhaustible	626,177.25			626,177.25
Construction in Progress	480,718.37	251,351.19	(480,718.37)	251,351.19
Total Capital Assets, Not Being Depreciated	5,186,893.88	251,351.19	(480,718.37)	4,957,526.70
Capital Assets Being Depreciated:				
Land Improvements – Exhaustible	2,306,608.97			2,306,608.97
Buildings	122,975,624.44			122,975,624.44
Building Improvements	17,062,561.25	623,414.64	(475,605.50)	17,210,370.39
Equipment and Furniture	3,321,544.58	237,460.48	(100,480.00)	3,458,525.06
Vehicles	5,515,590.99	1,915,327.30		7,430,918.29
Vehicles Under Capital Lease	1,968,134.64			1,968,134.64
Total Capital Assets Being Depreciated	153,150,064.87	2,776,202.42	(576,085.50)	155,350,181.79
Less Accumulated Depreciation for:				
Land Improvements – Exhaustible	(1,260,817.69)	(76,330.31)		(1,337,148.00)
Buildings	(39,292,964.61)	(1,658,157.33)		(40,951,121.94)
Building Improvements	(3,509,989.57)	(513,962.82)		(4,023,952.39)
Equipment and Furniture	(1,905,534.06)	(206,867.66)	92,228.70	(2,020,173.02)
Vehicles	(4,064,934.64)	(337,749.33)		(4,402,683.97)
Vehicles Under Capital Lease	(1,441,268.65)	(193,659.16)		(1,634,927.81)
Total Accumulated Depreciation	(51,475,509.22)	(2,986,726.61)	92,228.70	(54,370,007.13)
Total Capital Assets Being Depreciated, Net	101,674,555.65	(210,524.19)	(483,856.80)	100,980,174.66
Governmental Activities Capital Assets, Net	\$106,861,449.53	\$ 40,827.00	\$(964,575.17)	\$105,937,701.36
(*) Included in the Additions and Retirements column above are reclassifications totaling \$480,718.37 from Construction in Progress to Building Improvements upon completion of the construction.				

Notes to the Financial Statements
For the Year Ended September 30, 2017

Depreciation expense was charged to functions/programs of the primary government as follows:

	Current Year Depreciation Expense
Governmental Activities:	
Instruction	\$1,441,563.88
Instructional Support	471,269.00
Operation and Maintenance	92,035.79
Auxiliary Services:	
Food Service	349,001.73
Student Transportation	485,308.19
General Administrative	9,283.59
Other	138,264.43
Total Depreciation Expense – Governmental Activities	\$2,986,726.61

Note 6 – Defined Benefit Pension

A. Plan Description

The Teachers’ Retirement System of Alabama, a cost-sharing multiple-employer public employee retirement plan (the “Plan”), was established as of September 15, 1939, under the provisions of Act Number 419, Acts of Alabama 1939, for the purpose of providing retirement allowances and other specified benefits for qualified persons employed by State-supported educational institutions. The responsibility for the general administration and operation of the TRS is vested in its Board of Control. The TRS Board of Control consists of 15 trustees. The plan is administered by the Retirement Systems of Alabama (RSA). The *Code of Alabama 1975*, Section 16-25-2, grants the authority to establish and amend the benefit terms to the TRS Board of Control. The Plan issues a publicly available financial report that can be obtained at www.rsa-al.gov.

B. Benefits Provided

State law establishes retirement benefits as well as death and disability benefits and any ad hoc increase in postretirement benefits for the TRS. Benefits for TRS members vest after 10 years of creditable service. TRS members who retire after age 60 with 10 years or more of creditable service or with 25 years of service (regardless of age) are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, members of the TRS are allowed 2.0125% of their average final compensation (highest 3 of the last 10 years) for each year of service.

Notes to the Financial Statements

For the Year Ended September 30, 2017

Act Number 2012-377, Acts of Alabama, established a new tier of benefits (Tier 2) for members hired on or after January 1, 2013. Tier 2 TRS members are eligible for retirement after age 62 with 10 years or more of creditable service and are entitled to an annual retirement benefit, payable monthly for life. Service and disability retirement benefits are based on a guaranteed minimum or a formula method, with the member receiving payment under the method that yields the highest monthly benefit. Under the formula method, Tier 2 members of the TRS are allowed 1.65% of their average final compensation (highest 5 of the last 10 years) for each year of service. Members are eligible for disability retirement if they have 10 years of creditable service, are currently in-service, and determined by the RSA Medical Board to be permanently incapacitated from further performance of duty. Preretirement death benefits are calculated and paid to the beneficiary based on the member's age, service credit, employment status and eligibility for retirement.

C. Contributions

Covered members of the TRS contributed 5% of earnable compensation to the TRS as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, covered members of the TRS were required by statute to contribute 7.25% of earnable compensation. Effective October 1, 2012, covered members of the TRS are required by statute to contribute 7.50% of earnable compensation. Certified law enforcement, correctional officers, and firefighters of the TRS contributed 6% of earnable compensation as required by statute until September 30, 2011. From October 1, 2011 to September 30, 2012, certified law enforcement, correctional officers, and firefighters of the TRS were required by statute to contribute 8.25% of earnable compensation. Effective October 1, 2012, certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 8.50% of earnable compensation.

Tier 2 covered members of the TRS contribute 6% of earnable compensation to the TRS as required by statute. Tier 2 certified law enforcement, correctional officers, and firefighters of the TRS are required by statute to contribute 7% of earnable compensation.

Participating employers' contractually required contribution rate for the year ended September 30, 2017 was 12.01% of annual pay for Tier 1 members and 10.82% of annual pay for Tier 2 members. These required contribution rates are a percent of annual payroll, actuarially determined as an amount that, when combined with member contributions, is expected to finance the costs of benefits earned by members during the year, with an additional amount to finance any unfunded accrued liability. Total employer contributions to the pension plan from the Board were \$5,061,365.29 for the year ended September 30, 2017.

Notes to the Financial Statements
For the Year Ended September 30, 2017

D. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At September 30, 2017, the Board reported a liability of \$69,178,000 for its proportionate share of the collective net pension liability. The collective net pension liability was measured as of September 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of September 30, 2015. The Board's proportion of the collective net pension liability was based on the employers' shares of contributions to the pension plan relative to the total employer contributions of all participating TRS employers. At September 30, 2016, the Board's proportion was .638999%, which was an increase (decrease) of .005463% from its proportion measured as of September 30, 2015.

For the year ended September 30, 2017, the Board recognized pension expense of \$7,498,000.00. At September 30, 2017, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	\$1,782,000.00
Changes of assumptions	4,884,000.00	
Net difference between projected and actual earnings on pension plan investments	1,000,000.00	
Changes in proportion and differences between employer contributions and proportionate share of contributions	1,348,000.00	
Employer contributions subsequent to the measurement date	5,061,365.29	
Total	\$12,293,365.29	\$1,782,000.00

Notes to the Financial Statements

For the Year Ended September 30, 2017

\$5,061,365.29 reported as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended September 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending:	
September 30, 2018	\$1,360,000
2019	\$1,360,000
2020	\$2,221,000
2021	\$ 242,000
2022	\$ 267,000
Thereafter	\$

E. Actuarial Assumptions

The total pension liability was determined by an actuarial valuation as of September 30, 2015, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.75%
Investment Rate of Return (*)	7.75%
Projected Salary Increases	3.25%-5.00%
(*) Net of pension plan investment expense	

The actuarial assumptions used in the actuarial valuation as of September 30, 2015, were based on the results of an investigation of the economic and demographic experience for the TRS based upon participant data as of September 30, 2015. The Board of Control accepted and approved these changes in September 2016, which became effective at the beginning of fiscal year 2016.

Mortality rates for TRS were based on the White Collar Mortality Table projected to 2020 using Scale BB and adjusted 115% for males and 112% for females age 78 and older. The rates of disabled mortality were based on the RP-2000 Disabled Mortality Table projected to 2020 using Scale BB and adjusted 105% for males and 120% for females.

Notes to the Financial Statements
For the Year Ended September 30, 2017

The long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and best estimates of geometric real rates of return for each major asset class are as follows:

	Target Allocation	Long-Term Expected Rate of Return (*)
Fixed Income	17.00%	4.40%
U. S. Large Stocks	32.00%	8.00%
U. S. Mid Stocks	9.00%	10.00%
U. S. Small Stocks	4.00%	11.00%
International Developed Market Stocks	12.00%	9.50%
International Emerging Market Stocks	3.00%	11.00%
Alternatives	10.00%	10.10%
Real Estate	10.00%	7.50%
Cash	3.00%	1.50%
Total	100.00%	

(*) Includes assumed rate of inflation of 2.50%.

F. Discount Rate

The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that the employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, components of the pension plan's fiduciary net position were projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Notes to the Financial Statements
For the Year Ended September 30, 2017

G. Sensitivity of the Board's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following table presents the Board's proportionate share of the net pension liability calculated using the discount rate of 7.75%, as well as what the Board's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

	1% Decrease (6.75%)	Current Rate (7.75%)	1% Increase (8.75%)
Board's proportionate share of collective net pension liability	\$92,160	\$69,178	\$49,721
(Dollar amounts in thousands)			

H. Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued RSA Comprehensive Annual Report for the fiscal year ended September 30, 2016. The supporting actuarial information is included in the GASB Statement Number 67 Report for the TRS prepared as of September 30, 2016. The auditor's report dated September 22, 2017, on the total pension liability, total deferred outflows of resources, total deferred inflows of resources, total pension expense for the sum of all participating entities as of September 30, 2015, along with supporting schedules is also available. The additional financial and actuarial information is available at www.rsa-al.gov.

Note 7 – Other Postemployment Benefits (OPEB)

A. Plan Description

The Board contributes to the Alabama Retired Education Employees' Health Care Trust (the "Trust"), a cost-sharing multiple-employer defined benefit postemployment healthcare plan. The Trust provides health care benefits to state and local school system retirees and was established in 2007 under the provisions of Act Number 2007-16, Acts of Alabama, as an irrevocable trust fund. Responsibility for general administration and operations of the Trust is vested with the Public Education Employees' Health Insurance Board (PEEHIB) members. The *Code of Alabama 1975*, Section 16-25A-4, provides the PEEHIB with the authority to amend the benefit provisions in order to provide reasonable assurance of stability in future years. The Trust issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained at the Public Education Employees' Health Insurance Plan website, <http://www.rsa-al.gov> under the Employers' Financial Reports section.

Notes to the Financial Statements
For the Year Ended September 30, 2017

B. Funding Policy

The Public Education Employees' Health Insurance Fund (PEEHIF) was established in 1983 under the provisions of Act Number 83-455, Acts of Alabama, to provide a uniform plan of health insurance for current and retired employees of state educational institutions. The plan is administered by the PEEHIB. Any Trust assets used in paying administrative costs and retiree benefits are transferred to and paid from the PEEHIF. The PEEHIB periodically reviews the funds available in the PEEHIF and if excess funds are determined to be available, the PEEHIB authorizes a transfer of funds from the PEEHIF to the Trust. Retirees are required to contribute monthly as follows:

	Fiscal Year 2017
Individual Coverage – Non-Medicare Eligible	\$ 166.00
Individual Coverage – Medicare Eligible Retired Member	\$ 25.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Non-Spousal Dependent(s)	\$ 421.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse	\$ 521.00
Family Coverage – Non-Medicare Eligible Retired Member and Non-Spousal Dependent Medicare Eligible	\$ 280.00
Family Coverage – Non-Medicare Eligible Retired Member and Spouse Dependent Medicare Eligible	\$ 310.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) – No Spouse	\$ 280.00
Family Coverage – Medicare Eligible Retired Member and Non-Medicare Eligible Dependent(s) with Non-Medicare Eligible Spouse	\$ 380.00
Surviving Spouse – Non-Medicare Eligible	\$ 816.00
Surviving Spouse – Non-Medicare Eligible and Dependent Non-Medicare Eligible	\$1,028.00
Surviving Spouse – Non-Medicare Eligible and Dependent Medicare Eligible	\$1,067.00
Surviving Spouse – Medicare Eligible	\$ 430.00
Surviving Spouse – Medicare Eligible and Dependent Non-Medicare Eligible	\$ 720.00
Surviving Spouse – Medicare Eligible and Dependent Medicare Eligible	\$ 759.00

For employees that retire other than for disability on or after October 1, 2005 and before January 1, 2012, for each year under 25 years of service, the retiree pays two percent of the employer premium and for each year over 25 years of service, the retiree premium is reduced by two percent of the employer premium. Employees who retire on or after January 1, 2012, with less than 25 years of service, are required to pay 4% for each year under 25 years of service. In addition, non-Medicare eligible employees are required to pay 1% more for each year less than 65 (age premium) and to pay the net difference between the active employee subsidy and the non-Medicare eligible retiree subsidy (subsidy premium). When the retiree becomes Medicare eligible, the age and subsidy premium no longer applies, but the years of service premium (if applicable to the retiree) will continue to be applied throughout retirement. These changes are being phased in over a 5 year period. The tobacco premium is \$50.00 per month for retired members that use tobacco.

Notes to the Financial Statements
For the Year Ended September 30, 2017

The Board is required to contribute at a rate specified by the State for each active employee. The Board's share of premiums for retired Board employees health insurance is included as part of the premium for active employees. The following shows the required contributions in dollars and the percentage of that amount contributed for Board retirees:

Fiscal Year Ended September 30,	Active Health Insurance Premiums Paid By Board	Amount of Premium Attributable to Retirees	Percentage of Active Employee Premiums Attributable to Retirees	Total Amount Paid Attributable to Retirees	Percentage of Required Amount Contributed
2017	\$800.00	\$152.57	19.07%	\$1,799,913.69	100%
2016	\$780.00	\$211.21	27.08%	\$2,455,452.46	100%
2015	\$780.00	\$180.76	23.17%	\$2,055,503.56	100%

Each year the PEEHIB certifies to the Governor and to the Legislature the contribution rates based on the amount needed to fund coverage for benefits for the following fiscal year and the Legislature sets the premium rate in the annual appropriation bill. This results in a pay-as-you-go funding method.

Note 8 – Payables

On September 30, 2017, payables for the Board's individual major funds and other governmental funds in the aggregate are as follows:

	Vendors	Other Payables	Total Payables
<u>Governmental Activities:</u>			
General Fund	\$148,702.04	\$267,118.58	\$415,820.62
Special Revenue Fund	380,081.76		380,081.76
Total Governmental Activities	<u>\$528,783.80</u>	<u>\$267,118.58</u>	<u>\$795,902.38</u>

Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 9 – Lease Obligations

Capital Leases

The Board is obligated under certain leases accounted for as capital leases. Assets under capital leases totaled \$1,968,134.64 at September 30, 2017. If the Board completes the lease payments according to the schedule below, which is the stated intent of the Board, ownership of the leased equipment will pass to the Board. Until that time, the leased equipment will be identified separately on the balance sheet. The following is a schedule of future minimum lease payments under capital leases, together with the net present value of the minimum lease payments as of September 30, 2017.

Fiscal Year Ending	Governmental Activities
September 30, 2018	\$247,514.61
2019	118,716.19
Total Minimum Lease Payments	366,230.80
Less: Amount Representing Interest	(22,618.61)
Present Value of Net Minimum Lease Payments	<u>\$343,612.19</u>

Note 10 – Long-Term Debt

A Trustee issued Certificates of Participation in QZAB's which were to be sold to one or more commercial banks. The ratable portion of the proceeds of the sale of the Certificates of Participation allocable to the St. Clair County Board of Education was deposited in a separate account and available only to St. Clair County Board of Education and its QZAB projects. The Alabama School Finance Cooperative and the Trustee (with written endorsement of each Board of Education) entered into a guaranteed investment contract that will provide for the investments of moneys sufficient to pay each Board's payment at the maturity date of the QZAB's. The St. Clair County Board of Education will make level annual installment payments sufficient to make the payment at the maturity dates, whereupon the Board's obligation will be satisfied. None of the base payment represents the payment of interest. Deposits made into the escrow fund shall remain the property of the Board pledged to the payment of the base payments to the Alabama School Finance Cooperative on the base payment due dates.

The Board issued tax anticipation warrants entitled Series 2008 to provide funds for the acquisition, construction, and equipping of improvements to the Board's school facilities and to refund the remainder of the School Tax Anticipation Warrants, series 1999-C.

Notes to the Financial Statements
For the Year Ended September 30, 2017

On December 16, 2009, the Alabama Public School and College Authority issued Capital Improvement Pool Qualified School Construction Bonds Series 2009-D (Tax Credit Bonds) with a tax credit rate of 5.76% and interest rate of 1.865% on behalf of various Boards of Education in the State. The Board had a 0.57% participation in the bonds resulting in the Board's share of principal, issuance costs and net proceeds of \$829,000.00, \$7,297.34 and \$821,702.66, respectively. The Board is required to make sinking fund deposits of \$43,142.15 on December 15 in each year for fifteen years so that such deposits and any interest earned thereon shall be used to pay the principal of the bonds upon maturity and are pledged to pay the debt service requirements of the bonds. The sinking fund deposits and interest payments are payable from and secured by a pledge of the Board's allocable share of Public School Capital Outlay Funds.

During fiscal year 2010, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Bonds, Series 2009-B in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these bonds provided funds for the purpose of advance refunding a portion of the Board's Capital Improvement Pool Bonds, Series 2001-A maturing in years 2014 through 2018.

During fiscal year 2011, the Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Bonds, Series 2011-B in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The Alabama Department of Education withholds the required debt service payments from the Board's Public School Fund allocation. The proceeds from these bonds provided funds for the purpose of advance refunding the remaining portion of the Board's Capital Improvement Pool Bonds, Series 2001-A maturing in the year 2021.

The Board issued tax anticipation warrants entitled Series 2012-A, 2012-B, 2012-A-1, 2012-B-1 to refund Series 2004-A and 2004-B Warrants and for the purpose of financing various capital improvements.

The Board issued tax anticipation warrants entitled Series 2014 to provide funds for the acquisition, construction, and equipping of improvements to the Board's school facilities and to refund the School Tax Anticipation Warrants, Series 2005-A and 2005-B.

The Board issued tax anticipation warrants entitled Series 2015 to refund a portion of Series 2007 and a portion of Series 2008 Warrants and for the purpose of financing various capital improvements.

Notes to the Financial Statements
For the Year Ended September 30, 2017

The Board issued tax anticipation warrants entitled Series 2017 to provide funds for the acquisition, construction, and equipping of improvements to the Board's school facilities and to refund the remainder of the School Tax Anticipation Warrants, Series 2007.

During fiscal years 2008 and 2010, the Board entered into a capital lease agreement to purchase fourteen school buses and fifteen school buses, respectively. During years 2013 and 2014, the Board entered into a capital lease agreement to purchase tractors.

The following is a summary of general long-term debt transactions for the Board for the year ended September 30, 2017:

	Debt Outstanding 09/30/2016	Issued/ Increased	Repaid/ Decreased	Debt Outstanding 09/30/2017	Amounts Due Within One Year
Warrants Payable:					
Capital Outlay School Warrants:					
Series 2009-B	\$ 472,938.37	\$	\$ (230,976.81)	\$ 241,961.56	\$ 241,961.56
Series 2009-D	829,000.00			829,000.00	
Series 2011-B	768,712.00			768,712.00	
School Tax Anticipation Warrants:					
Series 2007	3,825,000.00		(3,825,000.00)		
Series 2008	1,510,000.00		(480,000.00)	1,030,000.00	505,000.00
Series 2012-A	6,025,000.00			6,025,000.00	
Series 2012-A-1	2,225,000.00		(535,000.00)	1,690,000.00	550,000.00
Series 2012-B	3,955,000.00			3,955,000.00	
Series 2012-B-1	935,000.00		(305,000.00)	630,000.00	310,000.00
Series 2014	10,000,000.00			10,000,000.00	
Series 2015-A	3,095,000.00		(10,000.00)	3,085,000.00	10,000.00
Series 2015-B	6,655,000.00			6,655,000.00	
Series 2017		5,060,000.00		5,060,000.00	430,000.00
Qualified Zone Academy Warrants:					
Series 2013-A	3,200,000.00			3,200,000.00	
Deferred Amounts:					
Add: Unamortized Premium	1,677,639.39	290,561.40	(435,823.74)	1,532,377.05	145,262.37
Total Warrants Payable, Net	45,173,289.76	5,350,561.40	(5,821,800.55)	44,702,050.61	2,192,223.93
Other Liabilities:					
Capital Leases Payable	565,107.49		(221,495.30)	343,612.19	230,579.41
Compensated Absences	386,343.28	13,055.74		399,399.02	210,714.00
Pension Liability	66,304,000.00	2,874,000.00		69,178,000.00	
Total Other Liabilities	67,255,450.77	2,887,055.74	(221,495.30)	69,921,011.21	441,293.41
Total Governmental Activities Long-Term Liabilities	\$112,428,740.53	\$8,237,617.14	\$(6,043,295.85)	\$114,623,061.82	\$2,633,517.34

Notes to the Financial Statements
For the Year Ended September 30, 2017

The following is a schedule of debt service requirements to maturity:

Fiscal Year Ending	Warrants Payable		Capital Lease Contracts Payable		Total Principal and Interest Requirements to Maturity
	Principal	Interest	Principal	Interest	
September 30, 2018	\$ 2,046,961.56	\$ 1,334,934.54	\$230,579.41	\$16,935.20	\$ 3,629,410.71
2019	2,245,516.00	1,267,995.21	113,032.78	5,683.41	3,632,227.40
2020	2,027,208.00	1,198,590.66			3,225,798.66
2021	2,440,988.00	1,123,117.76			3,564,105.76
2022	2,365,000.00	1,044,040.23			3,409,040.23
2023-2027	13,849,000.00	4,067,003.36			17,916,003.36
2028-2032	12,925,000.00	1,778,525.00			14,703,525.00
2033-2036	5,270,000.00	432,200.00			5,702,200.00
Totals	\$43,169,673.56	\$12,246,406.76	\$343,612.19	\$22,618.61	\$55,782,311.12

Deferred Outflows on Refunding, Discounts and Premiums

The Board had premiums in connection with the issuance of its 2004 A and B School Tax Anticipation warrants, Also, the Board had premiums, and a deferred loss on refunding in association with its 2005 A and B Tax Refunding Warrants. These items are being amortized using the straight-line method over a period of twenty-five years. In addition, the Board had discounts, and a deferred loss on refunding in association with its 2007 and 2008 School Tax Anticipation Warrants. These items are being amortized using the straight-line method over a period of twenty-two years. In addition, the Board had premiums, and a deferred loss on refunding in association with its 2009 B Capital Outlay School Warrants. These items are being amortized using the straight-line method over a period of nine years. In addition, the Board had deferred charges, and a premium on the 2011-B School Tax Anticipation Warrants. These items are being amortized using the straight-line method over a period of ten years. In addition, the Board had deferred charges on the 2012 School Tax Anticipation Warrants. This items is being amortized using the straight-line method over a period of eighteen years. In addition, the Board had premiums, and a deferred loss on refunding in association with its 2014 School Tax Anticipation Warrants. These items are being amortized using the straight-line method over a period of twenty-one years. In addition, the Board had premiums, and a deferred loss on refunding in association with its 2015 Capital Outlay School Warrants. These items are being amortized using the straight-line method over a period of twelve years.

Notes to the Financial Statements
For the Year Ended September 30, 2017

The Board has deferred charges on refunding, and a bond premium in connection with the issuance of its 2016 Funding Agreement, which is being amortized using the straight-line method over a period of six years.

	Deferred Outflows on Refunding	Premiums
Total Deferred Outflows on Refunding, Premiums and Discounts	\$1,878,928.47	\$2,095,041.61
Amount Amortized Prior Years	(422,699.04)	(417,402.22)
Balance, October 1, 2016	1,456,229.43	1,677,639.39
Current Year Amortized	(155,342.70)	(145,262.34)
Balance Deferred Outflows on Refunding Premiums and Discounts, September 30, 2017	<u>\$1,300,886.73</u>	<u>\$1,532,377.05</u>

Pledged Revenues

The Board issued Series 2008 School Tax Anticipation Warrants which are pledged to be repaid from the proceeds of a 3 mill county-wide ad valorem tax levied by the St. Clair County Commission pursuant to Amendment 3 of the Constitution of Alabama. The proceeds were used for the acquisition, construction, and equipping of improvements to the Board's school facilities. Future revenues in the amount of \$1,071,600.00 are pledged to repay the principal and interest on the Warrants at September 30, 2017. Proceeds of the 3 mill county-wide ad valorem tax in the amount of \$1,732,426.07 were received by the Board during fiscal year ended September 30, 2017, of which \$530,800.00 was used to pay principal and interest on the warrants. The Series 2008 School Tax Anticipation Warrants will mature in fiscal year 2019.

The Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Refunding Bonds, Series 2009-B in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The proceeds were used to advance refund a portion of the Capital Improvement Pool Bonds, Series 2001-A, which were scheduled to mature in fiscal years 2014 through 2018. Future revenues in the amount of \$254,059.64 are pledged to repay the principal and interest on the bonds at September 30, 2017. Proceeds of the Public School Fund allocations in the amount of \$2,220,776.00 were received by the Board during the fiscal year ended September 30, 2017, of which \$254,623.73 was used to pay interest on the bonds. The Capital Improvement Pool Refunding Bonds, Series 2009-B, will mature in fiscal year 2018.

Notes to the Financial Statements

For the Year Ended September 30, 2017

The Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D (Tax Credit Bonds) in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The proceeds were used for the acquisition, construction and renovation of school facilities. Future revenues in the amount of \$956,551.93 are pledged to repay the principal and interest on the bonds at September 30, 2017. Proceeds of the Public School Fund allocations in the amount of \$2,220,776.00 were received by the Board during the fiscal year ended September 30, 2017, of which \$15,460.84 was used to pay interest on the bonds. A sinking fund payment in the amount of \$43,142.15 was made during the fiscal year. The Capital Improvement Pool Qualified School Construction Bonds, Series 2009-D, will mature in fiscal year 2026.

The Board, as part of a pooled bond issuance with other school systems within the State of Alabama, issued Capital Improvement Pool Bonds, Series 2011-B, in anticipation of their Public School Fund allocations, which are received from the Alabama Department of Education. The proceeds were used to refund Series 2001-A Warrants for the acquisition, construction, and renovation of school facilities. Future revenues in the amount of \$887,792.40 are pledged to repay the principal and interest on the bonds at September 30, 2017. Proceeds of the Public School Fund allocations in the amount of \$2,220,776.00 were received by the Board during the fiscal year ended September 30, 2017, of which \$38,435.60 was used to pay interest on the bonds. The Capital Improvement Pool Bonds, Series 2011-B, will mature in fiscal year 2021.

The Board issued Series 2014 School Tax Anticipation Warrants in the amount of \$10 million which are pledged to be repaid from the proceeds of a 1 cent sales tax levied by the St. Clair County Commission. A portion of the proceeds were used to refund Series 2005A and Series 2005 B. The remaining balance of \$2,990,741.02 will be used for various school renovations throughout the school system. Future revenues in the amount of \$15,829,075.00 are pledged to repay the principal and interest on the Warrants at September 30, 2017. Proceeds of the 1 cent sales tax in the amount of \$5,080,546.08 were received by the Board during fiscal year ended September 30, 2017, of which \$390,550.00 was used to pay interest on the warrants. The Series 2014 School Tax Anticipation Warrants will mature in fiscal year 2036.

The Board issued Series 2015-A and 2015-B School Tax Anticipation Warrants in the amount of \$9,815,000 which are pledged to be repaid from the proceeds of a 6 mill county-wide ad valorem tax levied by the St. Clair County Commission pursuant to Amendment 77 of the Constitution of Alabama. The proceeds were used to partially refund Series 2007 and Series 2008 Warrants for the purpose of financing various capital improvements. Future revenues in the amount of \$12,196,925.00 are pledged to repay the principal and interest on the Warrants at September 30, 2017. Proceeds of the 6 mill county-wide ad valorem tax in the amount of \$3,652,718.56 were received by the Board during fiscal year ended September 30, 2017, of which \$353,900.00 was used to pay principal and interest on the warrants. The Series 2015-A and 2015-B School Tax Anticipation Warrants will mature in fiscal year 2029.

Notes to the Financial Statements

For the Year Ended September 30, 2017

The Board issued Series 2017 School Tax Anticipation Warrants which are pledged to be repaid from the proceeds of a 6 mill county-wide ad valorem tax levied by the St. Clair County Commission pursuant to Amendment 77 of the Constitution of Alabama. The proceeds were used to refund Series 2007 warrants and for the acquisition, construction, and equipping of improvements to the Board's school facilities. Future revenues in the amount of \$6,181,656.25 are pledged to repay the principal and interest on the Warrants at September 30, 2017. Proceeds of the 6 mill county-wide ad valorem tax in the amount of \$3,652,718.56 were received by the Board during fiscal year ended September 30, 2017. The Series 2007 School Tax Anticipation Warrants will mature in fiscal year 2029.

Defeased Debt

In prior years, the Board defeased School Tax Refunding Warrants, Series 2005-A and 2005-B. The Board deposited funds into an irrevocable trust with an escrow agent to provide for the future debt service payments when they mature on February 1, 2029. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Board's financial statements. At September 30, 2017, the total of \$6,040,000.00 of the Warrants outstanding are considered defeased.

In prior years, the Board partially defeased School Tax Anticipation Warrants, Series 2007. The Board deposited funds into an irrevocable trust with an escrow agent to provide for the future debt service payments when they mature on February 1, 2029. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Board's financial statements. At September 30, 2017, the total of \$2,300,000.00 of the Warrants outstanding are considered defeased.

In prior years, the Board partially defeased School Tax Anticipation Warrants, Series 2008. The Board deposited funds into an irrevocable trust with an escrow agent to provide for the future debt service payments when they mature on February 1, 2029. Accordingly, the trust account assets and the liability for the defeased debt are not included on the Board's financial statements. At September 30, 2017, the total of \$6,170,000.00 of the Warrants outstanding are considered defeased.

On February 15, 2017, the Board issued \$5,060,000 in Tax Anticipation Warrants with an interest rate between 2 and 4 percent to advance refund \$3,420,000 of outstanding Capital Outlay School Warrants with an interest rate between 3.5 and 4 percent. The net proceeds of \$3,441,689.58 (after payment of underwriting fees, insurance, and other issuance costs) were used to purchase U. S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the Capital Outlay School Warrants. As a result, the Capital Outlay School Warrants are considered to be defeased and the liability for those warrants has been removed.

Notes to the Financial Statements

For the Year Ended September 30, 2017

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$21,689.58. This difference is being netted against the net debt and amortized over the remaining life of the (old debt or new debt) which is shorter than the life of the (old or new) debt issued. As a result of the advance refunding, the Board reduced its total debt service requirements by \$8,548.27, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$5,991.69.

Note 11 – Risk Management

The Board is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Board has insurance for its buildings and contents through the State Insurance Fund (SIF) part of the State of Alabama, Department of Finance, Division of Risk Management, which operates as a common risk management and insurance program for state owned properties and county boards of education. The Board pays an annual premium based on the amount of coverage requested. The SIF is self-insured up to \$3.5 million per occurrence and purchases commercial insurance for claims in excess of \$3.5 million. Automobile liability insurance and errors and omissions insurance is purchased from the Alabama Trust for Boards of Education (ATBE), a public entity risk pool. The ATBE collects the premiums and purchases excess insurance for any amount of coverage requested by pool participants in excess of the coverage provided by the pool. Employee health insurance is provided through the Public Education Employees' Health Insurance Fund (PEEHIF), administered by the Public Education Employees' Health Insurance Board (PEEHIB). The Fund was established to provide a uniform plan of health insurance for current and retired employees of state educational institutions and is self-sustaining. Monthly premiums for employee and dependent coverage are determined annually by the plan's actuary and are based on anticipated claims in the upcoming year, considering any remaining fund balance on hand available for claims. The Board contributes a specified amount monthly to the PEEHIF for each employee of state educational institutions. The Board's contribution is applied against the employees' premiums for the coverage selected and the employee pays any remaining premium.

Settled claims resulting from these risks have not exceeded the Board's coverage in any of the past three fiscal years.

The Board does not have insurance coverage of job-related injuries. Board employees who are injured while on the job are entitled to salary and fringe benefits of up to ninety working days in accordance with the *Code of Alabama 1975*, Section 16-1-18.1(d). Any unreimbursed medical expenses and costs which the employee incurs as a result of an on-the-job injury may be filed for reimbursement with the State Board of Adjustment.

Notes to the Financial Statements
For the Year Ended September 30, 2017

Note 13 – Interfund Transactions

Interfund Receivables and Payables

The interfund receivables and payables at September 30, 2017, were as follows:

	Interfund Payables	
	Special Revenue Fund	Totals
<u>Interfund Receivables:</u>		
General Fund	\$93,666.85	\$93,666.85
Totals	\$93,666.85	\$93,666.85

Interfund Transfers

The amounts of interfund transfers during the fiscal year ended September 30, 2017, were as follows:

	Transfers Out		
	General Fund	Special Revenue Fund	Totals
<u>Transfers In:</u>			
General Fund	\$	\$225,021.55	\$ 225,021.55
Special Revenue Fund	1,269,289.05		1,269,289.05
Totals	\$1,269,289.05	\$225,021.55	\$1,494,310.60

The Board typically used transfers to fund ongoing operating subsidies, to recoup certain expenditures paid on-behalf of the local schools, and to transfer the portion from the General Fund to the Debt Service Fund to service current-year debt requirements.

Required Supplementary Information

***Schedule of the Employer's Proportionate Share of the
Net Pension Liability
For the Year Ended September 30, 2017
(Dollar amounts in thousands)***

	2017	2016	2015
Employer's proportion of the net pension liability	0.638999%	0.633536%	0.630825%
Employer's proportionate share of the net pension liability	\$ 69,178	\$ 66,304	\$ 57,308
Employer's covered payroll during the measurement period (*)	\$ 40,661	\$ 40,088	\$ 40,027
Employer's proportionate share of the collective net pension liability as a percentage of its covered payroll	170.13%	165.40%	143.17%
Plan fiduciary net position as a percentage of the total collective pension liability	67.93%	67.51%	71.01%

(*) Employer's covered payroll during the measurement period is the total covered payroll. (See GASB Statement Number 82.) For fiscal year 2017, the measurement period is October 1, 2015 through September 30, 2016.

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of the Employer's Contributions
For the Year Ended September 30, 2017
(Dollar amounts in thousands)***

	2017	2016	2015
Contractually required contribution	\$ 5,061	\$ 4,804	\$ 4,662
Contributions in relation to the contractually required contribution	<u>\$ 5,061</u>	<u>\$ 4,804</u>	<u>\$ 4,662</u>
Contribution deficiency (excess)	\$	\$	\$
Employer's covered payroll	\$ 42,818	\$ 40,661	\$ 40,088
Contributions as a percentage of covered payroll	11.82%	11.81%	11.63%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2017***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
State	\$ 51,388,233.00	\$ 51,542,649.00	\$ 52,024,963.91
Federal	3,000.00	3,000.00	273,363.10
Local	11,742,545.73	11,742,545.73	12,500,783.25
Other	87,699.00	87,699.00	105,617.86
Total Revenues	63,221,477.73	63,375,893.73	64,904,728.12
Expenditures			
Current:			
Instruction	39,934,630.42	40,055,933.28	39,788,492.59
Instructional Support	10,157,957.13	10,409,988.13	10,371,832.62
Operation and Maintenance	4,162,124.41	4,808,709.41	5,335,852.43
Auxiliary Services:			
Student Transportation	3,853,241.97	3,853,241.97	4,110,006.84
Food Service			
General Administrative	1,941,022.00	1,986,022.00	2,178,288.65
Other	1,899,468.57	1,925,468.57	2,381,990.65
Capital Outlay:			
Personal Property	50,000.00	50,000.00	
Real Property			106,727.98
Total Expenditures	61,998,444.50	63,089,363.36	64,273,191.76
Excess (Deficiency) of Revenues Over Expenditures	1,223,033.23	286,530.37	631,536.36
Other Financing Sources (Uses)			
Indirect Cost	423,277.72	449,176.32	519,168.97
Transfers In	608,854.23	641,874.23	225,021.55
Other Financing Sources	36,000.00	36,000.00	131,330.42
Transfers Out	(2,162,552.23)	(1,377,614.04)	(1,269,289.05)
Total Other Financing Sources (Uses)	(1,094,420.28)	(250,563.49)	(393,768.11)
Net Change in Fund Balances	128,612.95	35,966.88	237,768.25
Fund Balances - Beginning of Year	5,508,829.93	5,292,065.73	5,292,065.73
Fund Balances - End of Year	\$ 5,637,442.88	\$ 5,328,032.61	\$ 5,529,833.98

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 52,024,963.91
		273,363.10
		12,500,783.25
		105,617.86
		<u>64,904,728.12</u>
(1)	180,454.58	39,968,947.17
(1)	24,930.35	10,396,762.97
(1)	(295.67)	5,335,556.76
(1)	10,532.49	4,120,539.33
(1)	(13,943.34)	2,164,345.31
(1)	34,940.47	2,416,931.12
		106,727.98
	<u>236,618.88</u>	<u>64,509,810.64</u>
	<u>(236,618.88)</u>	<u>394,917.48</u>
		519,168.97
		225,021.55
		131,330.42
		(1,269,289.05)
		<u>(393,768.11)</u>
	(236,618.88)	1,149.37
(2)	<u>(5,443,700.23)</u>	<u>(151,634.50)</u>
	<u>\$ (5,680,319.11)</u>	<u>\$ (150,485.13)</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - General Fund
For the Year Ended September 30, 2017***

**Explanation of differences between Actual Amounts on
Budgetary Basis and Actual Amounts GAAP Basis:**

The Board budgets on the modified accrual basis of accounting except as shown below:

- (1) The Board budgets salaries as they are actually paid, rather than on the modified accrual basis.

Net Change in Fund Balance - Budget to GAAP

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because commitments will be reappropriated and honored during the subsequent year.

\$ (236,618.88)

\$ (236,618.88)

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2017***

	Budgeted Amounts		Actual Amounts Budgetary Basis
	Original	Final	
Revenues			
Federal	\$ 8,227,069.36	\$ 9,438,500.63	\$ 8,760,460.38
Local	5,369,175.00	5,369,175.00	5,685,756.63
Other	202,000.00	202,000.00	128,702.49
Total Revenues	13,798,244.36	15,009,675.63	14,574,919.50
Expenditures			
Current:			
Instruction	4,053,102.54	4,535,239.20	4,219,687.54
Instructional Support	1,445,619.43	1,859,555.82	1,335,598.49
Operation and Maintenance	377,265.00	381,265.00	255,249.17
Auxiliary Services:			
Student Transportation	109,267.00	109,267.00	86,787.63
Food Service	6,263,493.11	6,263,493.11	6,931,368.61
General Administrative	587,966.03	616,812.79	533,102.66
Other	1,392,074.00	1,654,585.82	1,678,587.87
Capital Outlay	8,223.00	8,223.00	132,674.00
Debt Service:			
Principal Retirement	5,984.00	5,984.00	8,013.62
Interest and Fiscal Charges	1,740.00	1,740.00	1,402.27
Total Expenditures	14,244,734.11	15,436,165.74	15,182,471.86
Excess (Deficiency) of Revenues Over Expenditures	(446,489.75)	(426,490.11)	(607,552.36)
Other Financing Sources (Uses)			
Transfers In	2,198,306.00	1,380,347.81	1,269,289.05
Other Financing Sources			38.54
Transfers Out	(644,608.00)	(644,608.00)	(225,021.55)
Total Other Financing Sources (Uses)	1,553,698.00	735,739.81	1,044,306.04
Net Change in Fund Balances	1,107,208.25	309,249.70	436,753.68
Fund Balances - Beginning of Year	2,492,471.68	3,173,033.71	2,654,812.64
Fund Balances - End of Year	\$ 3,599,679.93	\$ 3,482,283.41	\$ 3,091,566.32

	Budget to GAAP Differences	Actual Amounts GAAP Basis
	\$	\$ 8,760,460.38
		5,685,756.63
		128,702.49
		<u>14,574,919.50</u>
		4,219,687.54
		1,335,598.49
		255,249.17
		86,787.63
(1)	52,472.79	6,983,841.40
		533,102.66
		1,678,587.87
		132,674.00
		8,013.62
		1,402.27
	<u>52,472.79</u>	<u>15,234,944.65</u>
	<u>(52,472.79)</u>	<u>(660,025.15)</u>
		1,269,289.05
		38.54
		<u>(225,021.55)</u>
		<u>1,044,306.04</u>
	(52,472.79)	384,280.89
(2)	<u>(219,614.94)</u>	<u>2,435,197.70</u>
	<u>\$ (272,087.73)</u>	<u>\$ 2,819,478.59</u>

***Schedule of Revenues, Expenditures and Changes in Fund Balances
Budget and Actual - Special Revenue Fund
For the Year Ended September 30, 2017***

**Explanation of differences between Actual Amounts on
Budgetary Basis and Actual Amounts GAAP Basis:**

The Board budgets on the modified accrual basis of accounting except as shown below:

- (1) The Board budgets salaries as they are actually paid, rather than on the modified accrual basis.

Net Change in Fund Balance - Budget to GAAP

- (2) The amount reported as "fund balance" on the budgetary basis of accounting derives from the basis of accounting used in preparing the Board's budget. This amount differs from the fund balance reported in the Statement of Revenues, Expenditures and Changes in Fund Balances because of the cumulative effect of transactions such as those described above. Encumbrances outstanding at year-end are reported as reservations of fund balances and do not constitute expenditures or liabilities because commitments will be reappropriated and honored during the subsequent year.

\$ (52,472.79)

\$ (52,472.79)

This Page Intentionally Blank

Supplementary Information

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Total Federal Expenditures
<u>U. S. Department of Education</u>			
<u>Passed Through Alabama Department of Education</u>			
Title I Grants to Local Educational Agencies	84.010	N/A	\$ 1,526,793.81
Special Education Cluster:			
Special Education - Grants to States	84.027	N/A	1,792,569.19
Special Education - Preschool Grants	84.173	N/A	28,091.59
Sub-Total Special Education Cluster (M)			<u>1,820,660.78</u>
Migrant Education - State Grant Program	84.011	N/A	192,088.00
Career and Technical Education - Basic Grants to States	84.048	N/A	93,099.12
Education for Homeless Children and Youth	84.196	N/A	20,000.00
Advanced Placement Test Fee	84.330	N/A	6,604.00
English Language Acquisition State Grants	84.365	N/A	28,773.20
Supporting Effective Instruction State Grants	84.367	N/A	189,079.05
Twenty-First Century Community Learning Centers	84.287	N/A	218,070.36
<u>Passed Through Alabama Department of Early Childhood Education</u>			
Preschool Development Grants	84.419	N/A	52,196.07
Total U. S. Department of Education			<u>4,147,364.39</u>
<u>U. S. Department of Agriculture</u>			
<u>Passed Through Alabama Department of Education</u>			
Child Nutrition Cluster:			
School Breakfast Program	10.553	N/A	513,122.45
National School Lunch Program:			
Cash Assistance	10.555	N/A	1,966,371.75
Non-Cash Assistance (Commodities)	10.555	N/A	308,422.54
Total National School Lunch Program			<u>2,274,794.29</u>
Summer Food Service Program for Children	10.559	N/A	188,273.08
Total Child Nutrition Cluster			<u>2,976,189.82</u>
State Administrative Expenses for Child Nutrition	10.560	N/A	21,401.85
Child and Adult Care Food Program	10.558	N/A	1,882,625.84
Total U. S. Department of Agriculture			<u>4,880,217.51</u>
Sub-Total Forward			\$ 9,027,581.90

***Schedule of Expenditures of Federal Awards
For the Year Ended September 30, 2017***

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Identifying Number	Total Federal Expenditures
Sub-Total Brought Forward			\$ 9,027,581.90
<u>Social Security Administration</u>			
<u>Passed Through Alabama Department of Education</u>			
Social Security - Disability Insurance	96.001	N/A	2,360.00
<u>Other Federal Assistance</u>			
<u>Direct Program</u>			
ROTC	N/A	N/A	<u>60,606.53</u>
Total Expenditures of Federal Awards			<u><u>\$ 9,090,548.43</u></u>

(M) = Major Program

N/A = Not Applicable or Not Available

The accompanying Notes to the Schedule of Expenditures of Federal Awards are an integral part of this schedule.

***Notes to the Schedule of Expenditures
of Federal Awards
For the Year Ended September 30, 2017***

Note 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) includes the federal grant activity of the St. Clair County Board of Education and is presented on the modified accrual basis of accounting. The information in this Schedule is presented in accordance with the requirements of Title 2 U. S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance)*. Because the Schedule presents only a selected portion of the operations of the St. Clair County Board of Education, it is not intended to and does not present the financial position or changes in net position of the St. Clair County Board of Education.

Note 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the *Uniform Guidance* wherein certain types of expenditures are not allowable or are limited as to reimbursement. The St. Clair County Board of Education has elected not to use the 10-percent de minimis indirect cost rate as allowed in the *Uniform Guidance*.

Additional Information

Board Members and Administrative Personnel
October 1, 2016 through September 30, 2017

Board Members		Term Expires
Hon. Scott Suttle	Chairman	2020
Hon. Angie Cobb	Member	2018
Hon. John DeGaris	Member	2018
Hon. Marie Manning	Member	2020
Hon. Bill Morris	Member	2020
Hon. Allison Gray	Member	2020
Hon. Randy Thompson	Member	2020
Hon. Terry Green	Member	2016
<u>Administrative Personnel</u>		
Hon. Jenny Seals	Superintendent	2018
Ms. Laura Nance	Chief School Financial Officer	Indefinite

***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Independent Auditor's Report

Members of the St. Clair County Board of Education,
Superintendent and Chief School Financial Officer
Ashville, Alabama

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the St. Clair County Board of Education, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the St. Clair County Board of Education's basic financial statements, and have issued our report thereon dated September 7, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the St. Clair County Board of Education's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the St. Clair County Board of Education's internal control. Accordingly, we do not express an opinion on the effectiveness of the St. Clair County Board of Education's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

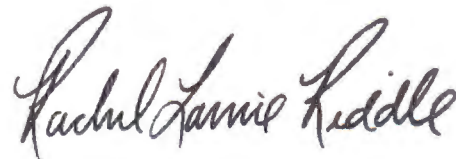
***Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance With
Government Auditing Standards***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Clair County Board of Education's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

September 7, 2018

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

Independent Auditor's Report

Members of the St. Clair County Board of Education,
Superintendent and Chief School Financial Officer
Ashville, Alabama

Report on Compliance for Each Major Federal Program

We have audited the St. Clair County Board of Education's compliance with the types of compliance requirements described in the ***OMB Compliance Supplement*** that could have a direct and material effect on each of the St. Clair County Board of Education's major federal programs for the year ended September 30, 2017. The St. Clair County Board of Education's major federal programs are identified in the Summary of Examiner's Results Section of the accompanying Schedule of Findings and Questioned Costs.

Management's Responsibility

Management is responsible for compliance with the requirements of federal statutes, regulations and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance with each of the St. Clair County Board of Education's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in ***Government Auditing Standards***, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U. S. ***Code of Federal Regulations*** Part 200, ***Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)***. Those standards and ***Uniform Guidance*** require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the St. Clair County Board of Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the St. Clair County Board of Education's compliance.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

Opinion on Each Major Federal Program

In our opinion, the St. Clair County Board of Education complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

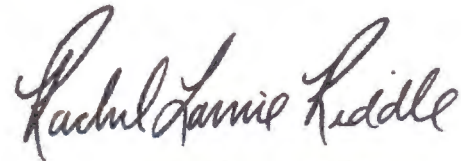
Management of the St. Clair County Board of Education is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the St. Clair County Board of Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate on the circumstance for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the *Uniform Guidance*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the St. Clair County Board of Education's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

***Report on Compliance for Each Major Federal Program
and Report on Internal Control Over Compliance
Required by the Uniform Guidance***

The purpose of this report on internal control over compliance is solely to describe the scope of our testing on internal control over compliance and the results of that testing based on the requirements of the *Uniform Guidance*. Accordingly, this report is not suitable for any other purpose.



Rachel Laurie Riddle
Chief Examiner
Department of Examiners of Public Accounts

Montgomery, Alabama

September 7, 2018

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section I – Summary of Examiner's Results

Financial Statements

Type of opinion issued: Unmodified
 Internal control over financial reporting:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? _____ Yes X None reported
 Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:
 Material weakness(es) identified? _____ Yes X No
 Significant deficiency(ies) identified? _____ Yes X None reported
 Type of auditor's report issued on compliance for major programs: Unmodified
 Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) of the *Uniform Guidance*? _____ Yes X No

Identification of major programs:

CFDA Numbers	Name of Federal Program or Cluster
84.027 and 84.173	Special Education Cluster

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000.00
 Auditee qualified as low-risk auditee? X Yes _____ No

Schedule of Findings and Questioned Costs
For the Year Ended September 30, 2017

Section II – Financial Statement Findings (GAGAS)

Ref. No.	Type of Finding	Finding/Noncompliance	Questioned Costs
		No matters were reportable.	

Section III – Federal Awards Findings and Questioned Costs

Ref. No.	CFDA No.	Program	Finding/Noncompliance	Questioned Costs
			No matters were reportable.	